



Which Account is Right for Me?

Comparing FSAs and HSAs

If you plan on spending even a dollar out of pocket for healthcare expenses, a tax-advantaged benefit account will save you an average of 30%. Tax-advantaged benefit accounts, such as Flexible Spending Accounts (FSAs), Health Savings Accounts (HSAs), and Limited Purpose Flexible Spending Accounts (LPFSAs), are available to help you pay for expenses not covered by your health plan.

So what's the difference?

Picking the account that's right for you depends on the health plan you enroll in and the account features that are important to you. Here are some key things you should know about the various account types.

	FSA	HSA	LPFSA
Description	Tax-advantaged account used to pay for IRS-qualified out-of-pocket healthcare expenses.	Individually-owned tax-advantaged bank account used to pay for IRS-qualified healthcare expenses.	Tax-advantaged account used to pay for IRS-qualified out-of-pocket dental and vision expenses only. Typically pairs with an HSA.
Do you have to be enrolled in a high deductible health plan (HDHP) to participate?	No	Yes	No
What are the tax advantages?	Contributions and reimbursements are tax-free.	Contributions, distributions, and earnings are tax-free.	Contributions and reimbursements are tax-free.
Who can contribute to your account?	You, your employer	You, your employer	You, your employer
What is the maximum contribution amount (for 2021)?	\$2,750	\$3,600 (single) \$7,200 (family)	\$2,750
Who owns the money – you or your employer?	Your Employer	You	Your Employer
Will receipts or documentation be requested?	Yes, only when needed. If requested, documentation must be provided to verify the eligibility of the expense incurred.	No. The individual accountholder is responsible to keep all documentation in case of IRS audit.	Yes, only when needed. If requested, documentation must be provided to verify the eligibility of the expense incurred.
Can you carry over unused funds from year to year?	Sometimes	Yes	Sometimes
Can you keep the funds if you leave the company?	No	Yes	No
Can you invest the funds for growth (like a 401k)?	No	Yes	No
Can you change your election at any time during the year?	No	Yes	No
Can you keep the funds when you retire?	No	Yes	No
Are catch-up contributions allowed?	No	Yes. Age 55+ may contribute an additional \$1,000 per year (until enrolled in Medicare).	No
What expenses are eligible?	Qualified healthcare expenses as defined in IRC 213(d), including select over-the-counter drugs	Qualified healthcare expenses as defined in IRC 213(d), including select over-the-counter drugs; premiums for Medicare, COBRA, or health insurance while receiving unemployment compensation.	Qualified dental and vision expenses ONLY as defined in IRC 213(d)

How can tax-advantaged benefit accounts help you?



Help you save money.

These accounts let you set aside money, pre-tax, to pay for common healthcare expenses.



Help you stay healthy.

These accounts let you set aside funds for preventative, routine, and unexpected care for not only you but also your family – making it easy to take care of health and wellness needs.



Help you achieve financial goals.

These accounts help you manage and prepare for expected and unexpected out-of-pocket healthcare expenses, both now and in the future.

2020
annual
limits:



FSA
\$2,750



HSA
\$3,550 (individual)
\$7,100 (family)

How much should you be saving for healthcare?

Planning for healthcare costs is not an easy task. Consider these 10 tips when reviewing your benefit account options and determining how much to contribute to your account.

1. Know your health insurance coverage. Every health plan will have out-of-pocket costs in the form of deductibles, copays, and coinsurance, and each account will have a maximum contribution limit to keep in mind.
2. Use your premium savings. If you choose an HSA eligible health plan that offers lower premiums – consider putting some, or all, of those savings into your HSA.
3. Know your account options. Ask these important questions:
 - What is your contribution limit?
 - Is your employer contributing to the account?
 - Can you take the account with you if you leave the company?
 - Do unused dollars at the end of the year roll over, or do you lose them?
4. Consider your budget and financial goals. Ensure your contributions fit into your overall personal finances.
5. Think about your typical healthcare utilization. Ask yourself how many office visits, prescriptions, specialists, labs, and other procedures you're likely to need.
6. Factor in major purchases. Look up average costs for any major planned treatments or procedures.
7. Look back at prior years. Your prior year spending may give you a hint as to how much you are likely to spend this year.
8. Think about the future. Think beyond the plan year – healthcare will continue to be a significant expense, even in retirement. It's never too early to save for the future.
9. Build in a buffer. Life happens – build in contingency funds for the unexpected.
10. Familiarize yourself with eligible expenses. Don't leave money on the table because you didn't realize certain expenses were eligible.

Talk to your employer about the options available to you.